LISBON VOLUNTEER FIRE COMPANY, INC. Lisbon, Maryland

FINANCIAL STATEMENT June 30, 2006

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Independent Auditor's Report

The Honorable County Council Lisbon Volunteer Fire Company, Inc. Howard County, Maryland

We have audited the statement of cash receipts and disbursements of the County's operating fund – actual and budget of the Lisbon Volunteer Fire Company, Inc. ("Company") for the year ended June 30, 2006. This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements of the County's operating fund –actual and budget is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the Summary of Significant Accounting Policies, this financial statement was prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. In addition, this statement was prepared to comply with requirements specified by the Howard County government and is not a complete presentation of the Lisbon Volunteer Fire Company, Inc.'s cash, cash receipts and disbursements.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash receipts and disbursements of the County's operating fund – actual and budget of the Lisbon Volunteer Fire Company, Inc. for the year ended June 30, 2006, on the basis of accounting described in the Summary of Significant Accounting Policies.

Our audit was performed for the purpose of forming an opinion on the financial statement taken as a whole. The accompanying supplemental information, listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statement. The additional information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Pton Genderson LLP

Baltimore, Maryland September 5, 2006

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LISBON VOLUNTEER FIRE COMPANY, INC. STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS OF THE COUNTY'S OPERATING FUND – ACTUAL AND BUDGET Year Ended June 30, 2006

	**********	Actual		Budget	
RECEIPTS					
Howard County, Maryland	<u>\$</u>	256,450	<u>\$</u>	256,450	
Total receipts		256,450		256,450	
DISBURSEMENTS					
Contractual services		84,366		85,850	
Materials and supplies		108,026		106,350	
Business and travel expenses		29,865		30,000	
Capital outlay		26,611		30,000	
Miscellaneous	***************************************	3,087		4,250	
Total disbursements	***************************************	251,955		256,450	
INCREASE IN CASH DURING THE YEAR		4,495	<u>\$</u>	***	
CASH BALANCE, BEGINNING OF YEAR		5,649			
CASH BALANCE, END OF YEAR	<u>\$</u>	10,144			

This financial statement should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statement.

LISBON VOLUNTEER FIRE COMPANY, INC. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES June 30, 2006

Lisbon Volunteer Fire Company, Inc. ("Company"), located in Howard County, Maryland is a full service public service organization providing Fire Suppression, Rescue and Paramedic level Emergency Medical Services. This organization accomplishes its daily goal of quality service to the citizens of Howard County with a group of dedicated volunteers, as well as a complement of Howard County Department of Fire and Rescue Services personnel.

BASIS OF ACCOUNTING

The financial statement has been prepared on the cash basis of accounting and is not intended to present the results of operations in conformity with generally accepted accounting principles. Under the cash basis of accounting, the only asset recognized is cash, and no liabilities are recognized. All transactions are recognized as either cash receipts or disbursements, and non-cash transactions are not recognized. However, significant amounts committed through encumbrance, if any, as of year-end are disclosed for informational purposes.

The budget is determined by the Howard County Council during its annual budgetary process. It represents the Company's portion of the County's total budget.

This statement includes the cash receipts and disbursements of the County's operating account of the Lisbon Volunteer Fire Company, Inc. Certain financial activities of the Company are accounted for separately and the related cash accounts are not included in this statement.

The cash basis differs from generally accepted accounting principles primarily because of the following:

- Accounts receivable are not reflected as revenue.
- The purchase of inventories and fixed assets are reflected as disbursements as opposed to assets, and the related use of inventories and depreciation of fixed assets are not reflected as expenses.
- Accounts payable are not included as expenses.

LISBON VOLUNTEER FIRE COMPANY, INC. NOTES TO FINANCIAL STATEMENT June 30, 2006

NOTE 1 – ENCUMBRANCES

There are no significant encumbrances at the end of the fiscal year.

NOTE 2 - RELATED PARTY TRANSACTIONS

A volunteer member of the Company makes repairs to the building. Payments to the member for services totaled \$2,473 for the year ended June 30, 2006.

A volunteer member of the Company repaired a drain in the parking lot at the facility. Payments to the member for services totaled \$350 for the year ended June 30, 2006.

SUPPLEMENTAL INFORMATION

LISBON VOLUNTEER FIRE COMPANY, INC. SCHEDULE OF CASH RECEIPTS – ACTUAL AND BUDGET Year Ended June 30, 2006

The Department's cash receipts from Howard County, Maryland's operating fund consist of the following:

	Actual	
Howard County, Maryland		
Operating funds	\$ 226,450	\$ 226,450
Capital funds	30,000	30,000
TOTAL	<u>\$ 256,450</u>	<u>\$ 256,450</u>

LISBON VOLUNTEER FIRE COMPANY, INC. SCHEDULE OF CASH DISBURSEMENTS – ACTUAL AND BUDGET Year Ended June 30, 2006

The Company's cash disbursements from the County's operating fund by budgetary object are as follows:

lonows.	Actual		Budget	
Contractual Services				<u> </u>
202 - Utilities	\$	20,000	\$	20,000
203 - Telephone		9,555		9,500
205 - Insurance		20,783		15,600
206 - Professional		10,677		15,000
207 - Service and maintenance		20,425		20,000
213 - Uniform cleaning		1,737		3,000
235 - Fire extinguisher maintenance		-		1,000
237 - Pest control		739		750
240 - Overhead door maintenance		450		1,000
TOTAL		84,366	\$	85,850
Materials and Supplies				
301 - Printing	\$	630	\$	750
302 - Postage		278		1,000
303 - Janitorial supplies		3,435		4,000
304 - Food		11,641		10,000
305 - Office supplies		1,943		1,500
306 - Auto supplies		201		3,000
307 - Tools		477		1,500
308 - General supplies		7,440		6,000
318 - Landscaping supplies		394		1,500
342 - Uniforms		6,950		4,500
343 - Protective equipment		14,943		15,000
344 - Firefighting equipment		14,611		8,000
345 - Medical supplies		8,034		12,000
347 - Pharmaceuticals		1,263		3,000
350 - Communication parts		1,551		1,400
351 - Photo supplies		700		700
352 - Computer supplies		2,000		2,000
370 - Library supplies		445		500
373 - Vehicle maintenance	***************************************	31,090	******	30,000
TOTAL	\$	108,026	\$	106,350

LISBON VOLUNTEER FIRE COMPANY, INC. SCHEDULE OF CASH DISBURSEMENTS – ACTUAL AND BUDGET Year Ended June 30, 2006

(Continued)

	Actual		Budget	
Business and Travel Expenses				
410 - Vehicle fuels	\$	20,314	\$	20,000
412 - Private vehicle expense		-		250
413 - Commercial travel		969		1,000
414 - Subsistence		3,500		3,500
415 - Subscriptions		808		500
416 - Membership dues		274		750
418 - Seminars and meetings		500		500
420 - Training courses		3,500	***************************************	3,500
TOTAL	\$	29,865	\$	30,000
Capital Outlay				
502 - Building	\$	26,611	\$	30,000
Miscellaneous				
606 - Contributions	\$	750	\$	750
607 - Miscellaneous		2,337		3,500
TOTAL	\$	3,087	\$	4,250